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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001384

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SUBJECT: AIT CHAIRMAN BURGHARDT AND KMT PRESIDENTIAL
CANDIDATE MA YING-JEOU DISCUSS DEFENSE, CROSS-STRAIT POLICY

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. (C) Summary: Kuomintang (KMT) presidential candidate Ma Ying-jeou told Chairman Burghardt on June 16 that he would honor President Chen's "Four Noes" pledge if elected president, and he would also reopen dialogue with Beijing aimed at establishing military confidence-building measures, a Taiwan-PRC common market, and a "modus vivendi" on Taiwan participation in international organizations. Burghardt and Director Young congratulated Ma for the belated passage of the defense budget, and they urged the KMT to support a supplemental budget to procure PAC-3 defensive missiles. KMT legislator Su Chi, who accompanied Ma, tried to claim PAC-3 procurement would require approval by a public referendum, but he backed down when the Chairman and Director strongly rejected this specious new argument. Ma assured Burghardt that the KMT will not support any referenda on sovereignty issues, such as joining the UN under the name Taiwan. Asked about wedge issues, Ma said he expects the DPP in the presidential campaign to try to tarnish him as a Mainlander who will sell out Taiwan to Beijing. He will emphasize, however, that the KMT can stabilize cross-strait relations to the benefit of Taiwan's economy. Ma said he has already decided on a running mate, who will be announced at the KMT party congress on June 24. Ma was tentative concerning plans to visit the U.S. later this year, but promised to coordinate with AIT as his plans firmed up. End Summary.

A Second Referendum on PAC-3s? Maybe Not...

12. (C) KMT presidential candidate Ma Ying-jeou, accompanied by KMT legislator Su Chi, met with AIT Chairman Burghardt on June 16. Burghardt, accompanied by Director Young, congratulated Ma on the Legislative Yuan's belated passage of the 2007 general budget the preceding evening. Ma and Su noted that the LY had approved funds for the submarine exploratory committee, P-3C ASW aircraft, and PAC-2 upgrades. However, Su added, PAC-3 funding had been stricken to comply with the KMT position on the "failed" 2004 missile defense referendum. Burghardt suggested the LY should consider funding the PAC-3's through a supplemental budget bill, since Taiwan urgently needs improved missile defenses. Su tried to claim the PAC-3's would require public approval in a second referendum on the same issue. Burghardt and Director Young flatly rejected Su's argument as legal sophistry, prompting Ma and Su to back away from it. Ma suggested that a KMT-DPP

consensus on the PAC-3's could enable the LY to side-step the "legal question" of another referendum.

Cross-Strait: Peacemaker not Troublemaker

13. (C) Ma told Burghardt that if elected President, he would continue to honor the terms of President Chen's "Four Noes" and would also implement the "Five Do's": (1) resuming dialogue with the PRC, (2) establishing military confidence-building measures, (3) creating a PRC-Taiwan common market, (4) reaching a modus vivendi on international organizations, and (5) expanding cross-Strait cultural and educational exchanges. Ma said he would condition any negotiation of a peace agreement on the PRC's removal of missiles aimed at Taiwan, adding that he would accept a peace agreement of either limited or unlimited duration. Burghardt predicted that the PRC would attempt to condition any dialogue on Taiwan's suspending arms purchases from the U.S. Both Ma and Su deemed this "unacceptable," and predicted that Beijing would tolerate Taiwan's continued U.S. arms purchases as long as Taiwan's leadership did not antagonize them by pushing an independence agenda.

KMT Referendum for "Defensive" Purposes

14. (C) Ma said the KMT is considering promoting its own referendum for "defensive purposes." If the Central Election Commission (CEC) remains under DPP control, he continued, the presidential ballot will certainly include one or more referendums designed to attract deep-Green voters to the polls (e.g., forcing the KMT to disgorge its "illicit" party

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assets, and joining the UN as "Taiwan"). Various proposals have been floated within KMT circles, Ma said, but no consensus has been reached. Burghardt stressed that the USG would not support any referendum touching on UN membership or other sovereignty-related issues. Ma assured the Chairman and Director that the KMT also would not support referenda on such issues. Noting that turnout for President Chen's "defensive referendum" in 2004 was significantly less than for the presidential ballot, Ma suggested that referenda may not have the drawing power their proponents maintain.

It's The Economy, Stupid

15. (C) Ma said he expects the 2008 presidential campaign to be negative, with his DPP opponent Frank Hsieh rehashing charges that as a Mainlander, Ma does not love Taiwan and will sell out to Beijing. Ma said he intends to counter such attacks by emphasizing that the KMT will stabilize cross-Strait relations, which will produce economic opportunities. Unlike the DPP, Ma continued, the KMT enjoys a strong intra-party consensus on cross-Strait policy. Moreover, while the PRC does not trust President Chen or the DPP, the KMT already shares common ground with Beijing, both sides having accepted the "one China, different interpretations" formulation of the "1992 Consensus." With a KMT government, and under proper circumstances, negotiations for a peace agreement and for economic cooperation could begin immediately, Ma said. Furthermore, he added, a KMT government would remove the question of Taiwan independence from the table, stabilizing cross-Strait relations and thereby enhancing Taiwan's attractiveness to foreign investors and trade partners.

Cross-Strait Links to Foster PRC Tourism

16. (C) Ma told Burghardt the gap between rich and poor in Taiwan continues to grow, resulting from sluggish growth in real income for Taiwan's wage-earners and decreased foreign investment. According to Ma, DPP limits on cross-Strait

investment are causing increasing numbers of foreign businesses to forsake Taiwan as a regional platform. Moreover, some Taiwan companies have chosen to list on the Hong Kong exchange, instead of Taiwan, because of the problems they have encountered. If elected, Ma said, he would remove the ceilings on Mainland investment and establish direct transportation links. Taiwan needs to develop service industry jobs to replace manufacturing jobs lost to the Mainland, and increased tourism is one way to do so. Without convenient cross-Strait transit routes, however, Taiwan's domestic tourist industry will not attract the investment needed to increase its capacity, Ma observed.

Vice President Won't Impact Race?

17. (C) Ma said he had already chosen his vice presidential running mate but would not make an announcement until June 24, the KMT's annual party congress. Ma said he did not expect the choice of vice presidential candidates, his or Hsieh's, to affect the presidential race in any significant way. There is little chance of an independent third candidate, Ma continued, with the smaller parties already lining up behind the DPP and KMT candidates. The legislative and presidential elections will probably be combined, Ma predicted, but it is not clear exactly how the typically higher presidential turnout rate will affect the legislative elections. Ma was rather tight-lipped about divulging the key members of his campaign team, naming only former premier Vincent Siew, KMT Vice Chairman P.K. Chiang, and prominent businesspeople Morris Chang (Taiwan Semiconductor) and Stanley Shih (Acer Computer) as important economic advisors. (Note: In a separate June 15 meeting, Siew told Burghardt that he had declined three offers to serve as Ma's vice presidential running mate. End note.)

Visit to U.S.

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18. (C) Ma said he hopes to visit the U.S. in the coming months, but seemed vague on details as if this was not at the top of his priority list. He agreed to work closely with AIT to schedule the visit at an opportune time. Burghardt advised Ma to expect tough questions on defense when meeting with Washington interlocutors. Ma insisted that he had honored all of the promises made during his last visit to the U.S., particularly his pledge to support "reasonable" arms purchases. The Director noted to Ma that Taiwan's next president will have to work closely with the U.S. to resolve the issue of Taiwan's efforts to develop an offensive weapon capability.

Comment

19. (C) Burghardt stressed to Ma, as he did in a subsequent meeting with DPP presidential candidate Frank Hsieh, that the U.S. views the inauguration of Taiwan's next president as an opportunity to advance cross-Strait peace and cooperation. The USG hopes that neither candidate will do anything to "poison" the atmosphere. Unfortunately, Su Chi violated the confidentiality of the meeting by holding a press conference

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and heavily insinuating that Burghardt's remarks were an endorsement of the KMT's and Ma's cross-Strait policy. The Director contacted Ma Ying-jeou on June 18 to register our displeasure with Su Chi's public remarks. Ma said he understood our message and would speak with Su, though we rather doubt Su would have done this without Ma's tacit approval.

YOUNG